GRAFTON GROUP LIMITED

ANNUAL REPORT FOR YEAR ENDED JANUARY 31, 1972

Established 1853

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Financial Highlights

	Year ended January 31		
	1972	1971	% Change
Sales			
Retail Division			
Grafton and Jack Fraser Stores	$13,518,425	$11,289,421	+19.7
Ross Stores (1 of 4 closed)	1,186,291	1,846,846	−35.8
Licensed Woolco Departments	29,575,681	24,758,356	+19.4
	44,280,397	37,894,623	+16.8
Manufacturing Division	4,601,722	4,109,217	+12.0
	48,882,119	42,003,840	+16.3
Income before depreciation and interest	5,122,528	4,254,870	+20.4
Depreciation and interest	399,993	552,499	−27.6
Net income	2,242,938	1,637,580	+36.9
Percentage of net income to sales	4.59	3.90	+17.7
Earnings per share based on weighted average of 1,853,667 shares in 1972 and 1,611,496 shares in 1971	$1.21	$1.01	+19.8
Shareholders' equity	11,930,179	7,924,443	+50.5
Working capital	5,713,018	3,392,721	+68.4
Current ratio	2.1 :1	1.8 :1	

Board of Directors

*G. RICHARD CHATER, *Chairman and Chief Executive Officer, Grafton-Fraser Limited*	Campbellville
BRIG.-GEN. W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D., *Chairman, the Company*	Toronto
WILLIAM A. HEASLIP, *Vice President, Grafton-Fraser Limited*	Milton
WILLIAM F. JAMES, *Partner, James, Buffam & Cooper*	Toronto
*JAMES W. McCUTCHEON, *Partner, Shibley, Righton & McCutcheon*	Toronto
STEWART PHILP, *Vice Chairman, Grafton-Fraser Limited*	Dundas
*JOHN B. RIDLEY, *Executive*	Toronto
SAM FOSTER ROSS, Q.C., *Partner, Ross & Robinson*	Dundas
*GEORGE A. REYNOLDS, *Secretary and Treasurer, Grafton-Fraser Limited*	Thornhill
T. EDWARD TOPPING, *President, Grafton-Fraser Limited*	Stouffville
*DAVID B. WELDON, *Chairman of the Board, Midland-Osler Securities Limited*	Toronto
DOUGLAS C. WOOLLEY, Q.C., *Partner, Woolley, Dale & Stevens*	Toronto
THOMAS R. YOUNG, *President, Toby Industries Limited*	Toronto

**Audit Committee*

Officers

W. P. GILBRIDE, *Chairman*

G. R. CHATER, *President*

W. A. HEASLIP, *Executive Vice President*

G. A. REYNOLDS, *Vice President, Finance, Secretary and Treasurer*

Transfer Agents and Registrar

GUARANTY TRUST COMPANY OF CANADA

Head Office

770 LAWRENCE AVENUE WEST, TORONTO 19

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON, TORONTO

Stock Exchange Listings

TORONTO STOCK EXCHANGE

MONTREAL STOCK EXCHANGE


W. Preston Gilbride,
Chairman, the Company


G. Richard Chater,
Chairman and Chief Executive Officer, Grafton-Fraser Limited


William A. Heaslip
Vice President, Grafton-Fraser Limited


George A. Reynolds,
Secretary and Treasurer, Grafton-Fraser Limited.

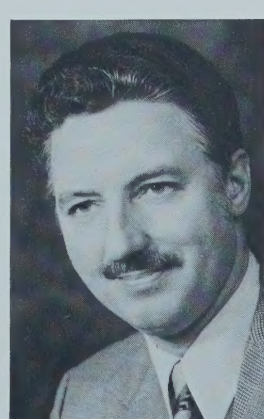

T. Edward Topping,
President, Grafton-Fraser Limited.


Thomas R. Young,
President, Toby Industries Limited.


Arnold L. Lucas,
Vice President, Grafton-Fraser Limited.


Jack B. Coutts,
Vice President, Grafton-Fraser Limited.


Edgar C. Frederick,
Sales Manager, Grafton-Fraser Limited.


Arthur M. Pearson,
General Manager, Toby Industries Limited.

Directors' Report to the Shareholders

Consistent with the Group's continuing progress, the report of the results for the year ending January 31, 1972 shows good progress on all fronts towards achieving our immediate objectives. A noteworthy accomplishment was the sale of an issue of the company's common shares to a syndicate of major Canadian Investment Dealers. The shares were then listed for trading on the Toronto and Montreal Stock Exchanges, and the results indicate the issue was well received by individual and institutional investors. This has achieved for us a degree of flexibility in regard to financing future growth should appropriate opportunities present themselves.

Sales

Combined sales of the consolidated subsidiaries increased 16.3% to $48,882,119 from $42,003,840. The retail division, Grafton-Fraser Limited (apparel), contributed $44,280,397, up 16.8% from $37,894,623, and the manufacturing division, Toby Industries Limited, formerly L. C. Tobias Company, Limited (textile home furnishings), contributed $4,601,722 up 12% from $4,109,217.

Earnings

Net income after tax increased 37% to $2,242,938 from $1,637,580. Grafton-Fraser earnings increased 28% to $2,069,063 from $1,616,691, while Toby Industries increased 18.5% to $189,800 from $160,066. Balancing figures are represented by interest expense or income of Grafton Group Limited in the two years. Earnings per share based on the weighted average of 1,853,667 shares outstanding in 1972 were $1.21 compared with $1.01 on 1,611,496 shares outstanding the previous year. Initial common dividends were paid in 1971 at the rate of 5¢ quarterly with a year end extra of 5¢. An increased dividend of 7½¢ quarterly has been declared for 1972. The Group's financial position has again improved by financial and retail operating ratio tests and is strong and flexible under the prevailing circumstances.

Operations Grafton-Fraser Leased Departments

Six leased departments were opened during the year under review, Brandon, Man. and La Salle, P.Q. (Montreal) in the first quarter, and Trois Rivieres, P.Q., Cap de la Madeleine, P.Q., Northland Village Shopping Centre, Calgary, Alta. and Marlborough Mall Shopping Centre, Calgary, Alta., were opened in late November on the same day. Needless to say opening costs, year end markdowns and promotional expenses of these four stores were greatly in excess of the income generated from their operation in seven weeks. Overall this division, which represents our most important thrust in sales and earnings growth, performed well, with the improvement due to exceptional further market penetration by existing stores. The new stores had a much more negative impact on earnings due to late openings, than has been so previously. Future plans and past experience have proven the good fortune we enjoy in being associated with Woolco Department Stores in their aggressive drive towards merchandising leadership right across our country.

Company Stores — Grafton-Fraser

We opened stores in Sherway Gardens, Etobicoke, Ont., Hillside Shopping Centre, Victoria, B.C., Thompson Park Shopping Centre, Kamloops, B.C., Market Mall, Calgary, Alta., Quinte Mall, Belleville, Ont., Le Cavalier Shopping Centre, La Salle, P.Q. and Orchard Park Shopping Centre, Kelowna, B.C., during this most recent year, while one older smaller store was closed. This year's improvement was aided by a return to more stability in ladies sportswear, which is now represented in 22 stores. On the other hand, the new higher style environment in men's suits, combined with economic uncertainty and rising prices, has not been conducive towards new purchases by a large number of ordinarily stable consumers. New stores are generally performing well. Our entry into the British Columbia and Alberta markets has been successful and we have trial stores in Manitoba and Montreal. We have the capability now of filling in the voids in markets on a national basis. Each year this division has improved its percentage of sales profit contribution, but it is still short of our current objective.

Toby Industries

A strong demand for home furnishings enabled Toby to regain its historic year to year sales and profit increase. We view this company as a fine base on which to build our home furnishings group in a good growth market. The major products presently consist of decorative cushions, bedspreads, comforters and outdoor furniture accessories. The company will benefit greatly from new manufacturing facilities which will become available about mid year.

Affiliated Company

James B. McGregor International Limited is affiliated with Grafton Group Limited by reason of Grafton holding a note in the amount of $756,891, convertible in part into 53% of the shares of this company in 1974. The plastics division (shower curtains, table cloths) had a fine year in increased sales and earnings. It has exciting plans for new areas of product manufacture but will require extensive new plant and equipment to realize its growth potential. The company now is on a fully taxed basis. A significant acquisition was made last year which should increase earnings dramatically. Working capital of the various divisions is, however, rather tight. Our investment in this group of companies is proving to be rewarding.

Investment

In August, 1971 the company purchased from the Grafton family all the shares of Grafton Realty Company, Limited. This company has investments in real estate, mortgages, and miscellaneous securities. Grafton Group will carry this subsidiary as an investment. In October, 1971, Grafton Realty entered into an agreement to purchase in May, 1972, a property at Sunlight Park Road and the Don Valley Parkway, Toronto, from Lever Brothers Limited. The property consists of factory space and modern office facilities. Grafton Realty intends to lease this space to Toby Industries and Grafton-Fraser, and the balance to Lever Brothers Limited for varying terms up to ten years. The Lever Brothers' leases mature in a manner which will provide the Group with additional space in an orderly manner over the next ten years. Grafton Realty has a commitment for satisfactory long term financing from a Canadian chartered bank.

Personnel

Mr. Ants Soots, a founding partner and Vice President Manufacturing, has retired from active management in Toby Industries, and from the Group's Board. Mr. George Reynolds, our Vice President Finance, whose diligence has greatly contributed to our affairs has been appointed to fill the resulting vacancy on the Board. Mr. Arthur Pearson has been appointed General Manager of Toby Industries assuming, among other duties, the responsibilities of Mr. Soots, after having accomplished good results in the plastics division. Late in the year, Mr. T. E. Topping, Vice President of Grafton-Fraser, was appointed President of our retail company. A 25 year veteran of Jack Fraser Stores and its predecessors, Mr. Topping assumes more responsibilities for day to day operations. To assist him, Mr. Arnold Lucas, formerly Assistant General Manager — Stores, was appointed Vice President — Leased Departments. Mr. Jack Coutts, with an extensive background as President of a major national Canadian chain store organization, has joined the Group and been appointed Vice President — Stores. Mr. E. Frederick has been appointed Grafton-Fraser Sales Manager, responsible for merchandising and major staff services, a promotion from his previous position of Assistant General Manager — Leased Departments.

Outlook

The expanding economic climate will favour the activities of the Group for all of 1972, with a greater degree of certainty for the first half. We expect to open ten leased departments with seven in the last half of the year. Five Jack Fraser Stores will likely be opened, while some marginal old stores have already been closed. Non-recurring and dislocation expenses will be incurred by Grafton-Fraser and Toby Industries in 1972 because of our move

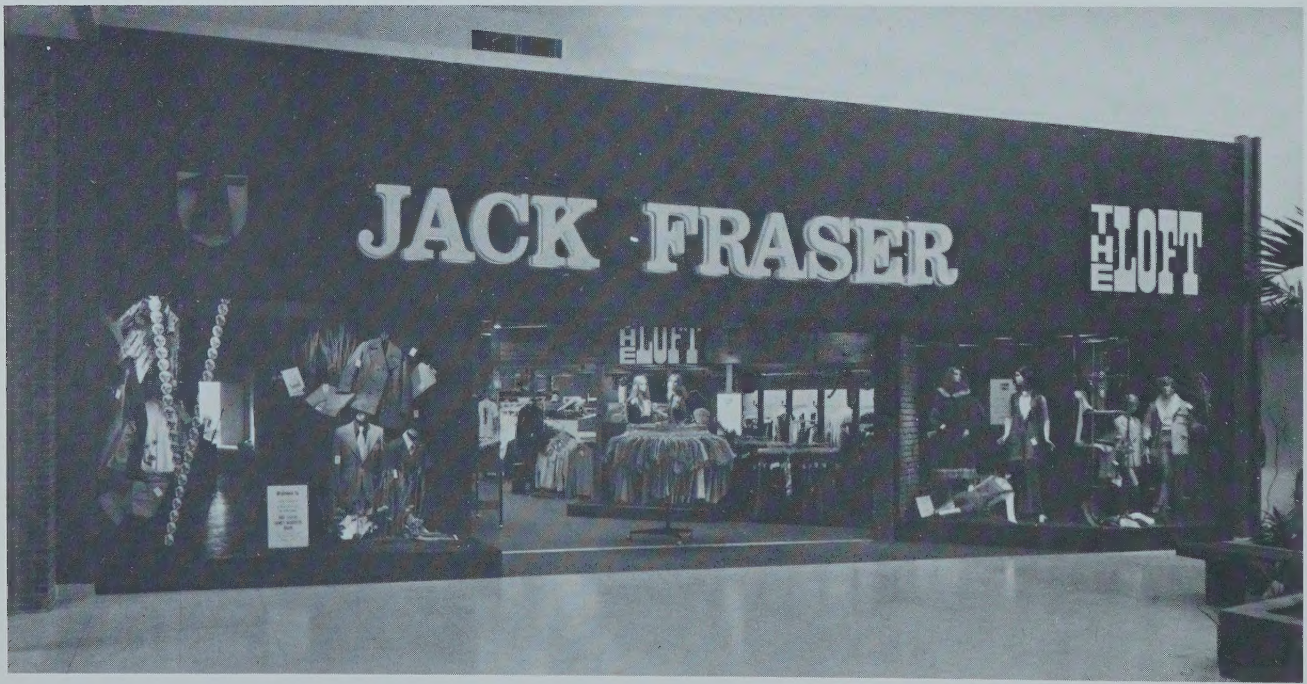
to our new plant and Head Office at 3 Sunlight Park Road. Other problems we foresee are the trend of higher inventory shrinkage, due to the more permissive attitude toward dishonesty in our society. Our ability to recruit and train adequate and competent personnel among younger people is also a challenge. Rentals being proposed for new regional shopping centres as a result of accelerating construction and inflationary land costs, are a matter of real concern, causing us to seriously consider some alternative possible type of location. Nonetheless, we expect another very good year.

The companies' goals are to provide an efficient link in the Canadian distribution system, to benefit our customers in terms of selection, fashion direction, value and service, to give our suppliers the opportunity for planned orderly growth through mutual cooperation, to offer our employees challenging careers with prospects for economic betterment in income, security and equity, and to build mutually rewarding relationships with our shareholders. While all our management are encouraged to become involved in their communities' activities, our directors, particularly, are actively involved in directing the companies' increasing contribution towards improving the quality of our Canadian way of life, where their own personal activities in community, social, cultural and educational fields give them first hand knowledge of the benefits to our society.

The directors warmly express their recognition of the contribution and cooperation of management, staff, suppliers, developers and associates for the results of our activities.

Submitted on behalf of the Board,
G. R. CHATER
President

Toronto, Ontario, March 3, 1972.



Consolidated Statements of Income and Retained Earnings

GRAFTON GROUP LIMITED
and consolidated subsidiary companies

	Year Ended January 31 1972	1971
INCOME		
Sales		
Retail	$44,280,397	$37,894,623
Manufacturing	4,601,722	4,109,217
	48,882,119	42,003,840
Cost of sales and expenses other than undernoted	43,759,591	37,748,970
Income from operations before taking into account the undernoted items	5,122,528	4,254,870
Interest and bank charges	140,265	356,147
Depreciation	259,728	196,352
	399,993	552,499
Income before income taxes and minority shareholders' interest	4,722,535	3,702,371
Income taxes	2,428,600	2,008,800
Income before minority shareholders' interest	2,293,935	1,693,571
Preference share dividends paid to minority shareholders of subsidiary companies	50,997	55,991
Net income for the year	$ 2,242,938	$ 1,637,580
Earnings per common share	$1.21	$1.01
RETAINED EARNINGS		
Balance at beginning of year	$ 3,250,747	$ 1,700,982
Net income for the year	2,242,938	1,637,580
	5,493,685	3,338,562
Deduct		
Dividends		
Preference shares		7,240
Common shares	374,521	80,575
Common share issue expenses net of income tax reduction of $23,000	22,128	
	396,649	87,815
Balance at end of year	$ 5,097,036	$ 3,250,747

Consolidated Balance Sheet

GRAFTON GROUP LIMITED
(Incorporated under the laws of Ontario)
and consolidated subsidiary companies

	January 31 1972	1971
ASSETS		
CURRENT ASSETS		
Cash and bank deposit receipts	$ 2,074,678	$ 13,788
Accounts receivable (note 2)	2,174,395	1,877,625
Marketable securities at cost (market value $213,170)	212,513	
Inventories (note 3)	6,518,808	5,845,313
Prepaid expenses	96,013	100,051
	11,076,407	7,836,777
NOTES RECEIVABLE (note 4)	756,891	796,891
INVESTMENT IN SHARES OF SUBSIDIARY COMPANY, at cost (note 1)	1,107,500	
FIXED ASSETS, at cost		
Machinery, equipment, fixtures and leasehold improvements	3,733,868	3,178,585
Less accumulated depreciation	2,161,970	1,919,733
	1,571,898	1,258,852
EXCESS OF COST OVER UNDERLYING BOOK VALUES OF CONSOLIDATED SUBSIDIARIES AT DATES OF ACQUISITION	3,609,572	3,609,572
	$18,122,268	$13,502,092

Approved by the Board

J. W. McCUTCHEON, *Director,*

G. R. CHATER, *Director,*

	January 31 1972	19
LIABILITIES		
CURRENT LIABILITIES		
Bank loan		$ 180,000
Bank overdraft being outstanding cheques		95,182
Accounts payable and accrued liabilities	$ 3,977,756	3,098,179
Income and other taxes payable	645,633	1,070,695
Notes payable (note 5)	740,000	—
	5,363,389	4,444,056
NOTES PAYABLE (note 5)		190,0
DEFERRED INCOME TAXES	40,600	36
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS in subsidiary companies (note 6)	788,100	906
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)		
Authorized		
1,735 Non-voting 6% non-cumulative, preference shares, redeemable at par value of $10 each (after giving effect to the redemption of 48,265 shares during the current year)		
3,500,000 Common shares without par value		
Issued		
Nil Preference shares (1971, 48,265 shares)		482,650
1,872,603 Common shares (1971, 1,611,496 shares)	6,666,008	4,041,883
	6,666,008	4,524,533
CONTRIBUTED SURPLUS (note 8)	167,135	149,163
RETAINED EARNINGS	5,097,036	3,250,747
	11,930,179	7,924,443
	$18,122,268	$13,502,092

Contingent liabilities (note 9)
Long-term leases (note 10)

Consolidated Statement of Source and Application of Funds

GRAFTON GROUP LIMITED
and consolidated subsidiary companies

	Year Ended January 31 1972	1971
Source of funds		
Operations		
Net income for the year	$ 2,242,938	$ 1,637,580
Items not involving current funds		
Depreciation	259,728	196,352
Deferred income taxes	3,900	1,800
	2,506,566	1,835,732
Payment on notes receivable	40,000	5,000
Sale of fixed assets	10,892	57,750
Proceeds from issue of common shares	2,624,125	
	5,181,583	1,898,482
Application of funds		
Additions to fixed assets	583,666	417,947
Investment in wholly owned subsidiary	1,107,500	
Payment and reclassification of notes payable	190,000	160,000
Decrease in interest of minority shareholders less gain on purchase for cancellation of preference shares of $17,972 (1971, $18,900)	100,821	64,247
Redemption of preference shares	482,650	
Dividends		
Preference shares		7,240
Common shares	374,521	80,575
Common share issue expenses, net	22,128	
	2,861,286	730,009
Increase in working capital	2,320,297	1,168,473
Working capital at beginning of year	3,392,721	2,224,248
Working capital at end of year	$ 5,713,018	$ 3,392,721

YEAR ENDED JANUARY 31, 1972

1. BASIS OF CONSOLIDATION AND ACCOUNTING PRESENTATION

The consolidated financial statements include the consolidated accounts of the subsidiary, Grafton-Fraser Limited, for the fiscal years ended January 6, 1971 and January 5, 1972 and the accounts of the subsidiary, Toby Industries Limited (formerly L. C. Tobias Company, Limited), for the years ended December 31, 1970 and 1971. The accounts of Grafton Realty Company, Limited have not been consolidated herein.

The company acquired all of the issued and outstanding capital stock of Grafton Realty for $1,107,500 effective August 4, 1971. The purchase price was satisfied by cash payments totalling $557,500 and the issue of non-interest bearing notes totalling $550,000 due February 15, 1972, since paid (see note 5).

It is considered inappropriate to consolidate Grafton Realty because of the nature of its activities — a separate company investing in real estate. Grafton Realty had profits of $16,150 (equal to 1¢ per Grafton Group share) since acquisition to December 31, 1971.

Grafton Realty has entered into an agreement to purchase land and buildings in the City of Toronto for $2,625,000 with a scheduled closing date of May 1, 1972. A deposit of $303,534 has been paid on the purchase and related long-term financing in the amount of $1,950,000 has been arranged by the subsidiary.

2. ACCOUNTS RECEIVABLE

Included in the 1972 accounts receivable balance is an advance to the subsidiary, Grafton Realty Company, Limited, in the amount of $125,885.

3. INVENTORIES

	1972	[illegible]
Retail	$ 5,590,282	$ 5,0[illegible]
Manufacturing		
Raw materials	414,821	[illegible]
Work in process	164,573	[illegible]
Finished goods	349,132	[illegible]
	928,526	783,563
	$ 6,518,808	[illegible]

The retail inventory is valued at the lower of cost and net realizable value less normal profit margin. Raw materials are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value.

4. NOTES RECEIVABLE

Included in notes receivable are:

	1972	1971
Note receivable from affiliated company	$ 756,891	$ 756,891
Note receivable from director re purchase of shares		40,000
	$ 756,891	$ 796,891

The note receivable from affiliated company is secured and non-interest bearing. It is payable $100,000 annually from May 1, 1974 to May 1, 1978 with the balance payable on May 1, 1979. A portion of the note, $56,100, is convertible into 187,000 common shares or approximately 53% of the voting shares of the affiliated company anytime after May 1, 1974 and prior to repayment on May 1, 1979.

5. NOTES PAYABLE

	1972	1971
	Current	Long-term
The notes payable are as follows:		
Non-interest bearing note due February 15, 1972 (since paid)	$ 550,000	
Non-interest bearing notes due April 30, 1972	190,000	$ 190,000
	$ 740,000	$ 190,000

Included in the above are notes payable to directors of $71,250 (1971, $142,500).

6. PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANIES

Grafton-Fraser Limited shall in each fiscal year apply to the retirement of preference shares by purchase for cancellation or by redemption an amount equal to at least 5% of its consolidated net income for the immediately preceding fiscal year. During 1971 Grafton-Fraser Limited purchased 5,940 preference shares in accordance with this provision.

7. CAPITAL STOCK

During the current year the company issued 261,107 common shares for $2,624,125 as part of the public offering undertaken by the company.

Earnings per share for the current year have been calculated based on a weighted average number of 1,853,667 shares outstanding.

The company has reserved 95,000 common shares for allotment under an Employee Stock Option Plan.

8. CONTRIBUTED SURPLUS

During the year ended January 31, 1972, contributed surplus was increased by $17,972, arising from a gain on purchase for cancellation of preference shares of Grafton-Fraser Limited (note 6).

9. CONTINGENT LIABILITIES

The company has guaranteed certain indebtedness of an affiliated company in the amount of $130,000 (1971, $310,000).

10. LONG-TERM LEASES

The aggregate amount of rentals incurred by the company's subsidiaries as an expense during their most recent fiscal periods in respect of all leases on real property (including licenses) was $4,006,000 (of which approximately $55,500 was paid to Grafton Realty Company, Limited). Based upon all leases (including licenses) in existence as at their fiscal period ends, the aggregate minimum annual amount that will be incurred by the company's subsidiaries as rental or license expense during their next five fiscal years is approximately $2,657,000 (of which $54,300 will be paid to Grafton Realty Company, Limited).

11. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970) was $281,700 (1971, $261,000).

Auditors' Report

To the Shareholders of
Grafton Group Limited

We have examined the consolidated balance sheet of Grafton Group Limited and consolidated subsidiary companies as at January 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

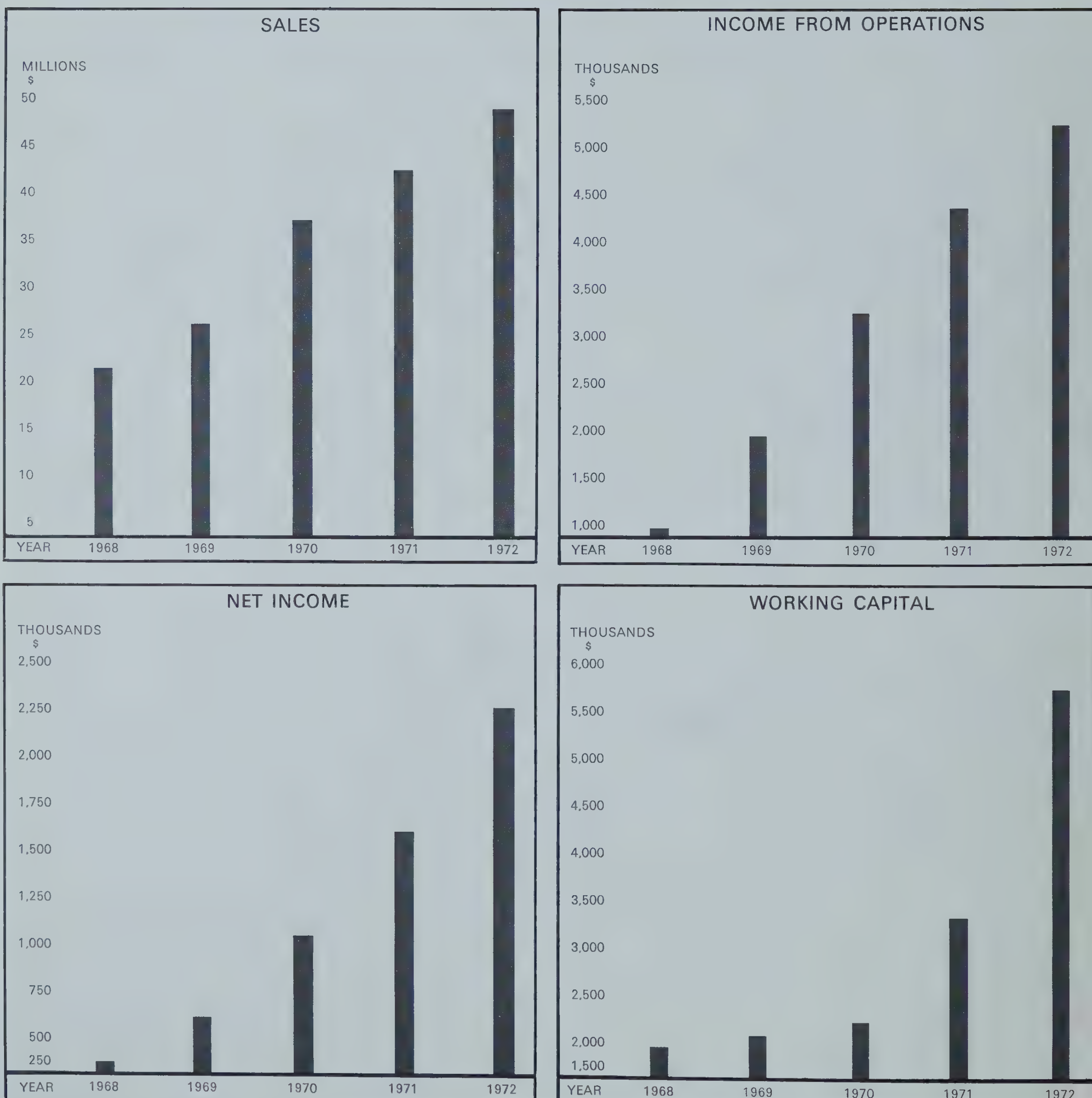
In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson

Chartered Accountants

Toronto, Canada
February 25, 1972

Information Graphs



Retail Stores

Leased Woolco Department

Five Year Summary

	January 31				
	1972	1971	1970	1969	1968
Sales					
Retail	$44,280,397	$37,894,623	$32,038,073	$25,219,174	$21,461,478
Manufacturing	4,601,722	4,109,217	4,115,450		
	48,882,119	42,003,840	36,153,523	25,219,174	21,461,478
Cost of sales and expenses other than undernoted	43,759,591	37,748,970	32,950,011	23,399,075	20,602,669
Income from operations before the undernoted items	5,122,528	4,254,870	3,203,512	1,820,099	858,809
Interest and bank charges	140,265	356,147	359,539	254,810	263,286
Depreciation	259,728	196,352	161,442	100,137	108,611
	399,993	552,499	520,981	354,947	371,897
Income before income taxes, extraordinary item and minority interests	4,722,535	3,702,371	2,682,531	1,465,152	486,912
Income taxes	2,428,600	2,008,800	1,461,000	789,000	253,000
	2,293,935	1,693,571	1,221,531	676,152	233,912
Gain on sale of investments			27,079		
	2,293,935	1,693,571	1,248,610	676,152	233,912
Minority interest:					
Preference share dividends	50,997	55,991	54,008	54,557	46,818
Common shares since acquired by Grafton Group Limited			164,000		
	50,997	55,991	218,008	54,557	46,818
Net income	$ 2,242,938	$ 1,637,580	$ 1,030,602	$ 621,595	$ 187,094
Earnings per common share	$ 1.21	$ 1.01	$ .69	$ .58	$ .18
Weighted average number of shares outstanding	1,853,667	1,611,496	1,611,496	1,096,750	1,096,750

Retail Branches

Newfoundland

†* St. John's, Avalon Mall,

Nova Scotia

†* Halifax, Scotia Square Centre
†* Sydney River, Cape Breton Plaza

New Brunswick

†* St. John, Loch Lomond Centre

Quebec

†* Cap de la Madeleine, Galleries du Cap
†* Giffard, Centre Ste. Anne
†* Granby, Granby Plaza
† Levis
†* Montreal, Taschereau, Brossard
†* Montreal, Kirkland Plaza
†* Montreal, Le Cavalier, La Salle
* Montreal, Le Cavalier, La Salle
†* Montreal, Plaza Laval, Laval
†* Montreal, d'Archats, Longueuil
†* Montreal, Langelier, St. Leonard
†* Sherbrooke, Rock Forest Centre
†* Trois Rivieres Centre

Ontario

* Barrie, Bayfield Mall
Belleville
* Belleville, Quinte Mall
* Brampton, Shoppers' World
Brantford
†* Brantford, Brantford Plaza
* Burlington, Burlington Mall
†* Cornwall, Brookdale Mall
* Chatham, Thames-Lea Centre
Dundas
* Etobicoke, Sherway Gardens
Galt
Hamilton
* Hamilton, Greater Hamilton Centre
†* Hamilton, Mt. Hamilton Centre
* Kapuskasing, Model City Mall
†* Kingston, Frontenac Mall
* Kitchener, Fairview Park Centre
†* Kitchener, Fairview Park Centre
Lindsay
* London, Wellington Square
* London, Argyle Mall
†* London, Argyle Mall
London
* Mississauga, Sheridan Mall
* Newmarket, Newmarket Plaza
Oakville
* Oakville, Hopedale Centre
* Oshawa, Oshawa Centre
Owen Sound
Peterborough
* St. Catharines, Niagara Pen. (2)
†* St. Catharines, Lincoln Mall
* Sarnia, Lambton Mall
†* Sarnia, Lambton Mall
* Sault Ste. Marie, Market Mall
† Sault Ste. Marie
†* Sudbury, Nickel Range Plaza
Trenton
Timmins
* Toronto, Agincourt Mall
†* Toronto, Agincourt Mall
* Toronto, Albion Mall
* Toronto, Eglinton Square
* Toronto, Northtown
†* Toronto, North Park
Toronto, Pape and Danforth
† Toronto, Weston
* Toronto, West Side
* Toronto, Yorkdale Centre
Welland
†* Whitby, Whitby Mall
* Windsor, Devonshire Mall
†* Windsor, Gateway Plaza
†* Windsor, Eastown Centre
Woodstock

Manitoba

†* Brandon, Shoppers' Mall
* Winnipeg, Garden City, W. Kildonan
†* Winnipeg, Grant Park Centre
†* Winnipeg, Crossroads Centre, Transcona

Saskatchewan

†* Regina, Northgate Mall

Alberta

* Calgary, Market Mall
†* Calgary, McLeod Mall
†* Calgary, Marlborough
†* Calgary, Northland Village
†* Calgary, Westbrook Plaza
†* Edmonton, Capilano Mall
†* Edmonton, Centennial Village
†* Lethbridge, College Mall
†* Red Deer, Parkland Mall

British Columbia

* Burnaby, Lougheed Mall
†* Burnaby, Lougheed Mall
* Kamloops, Thompson Park
* Kelowna, Orchard Park Centre
* Vancouver, Park Royal
†* Vancouver, Capilano Mall
* Victoria, Hillside Centre
†* Victoria, Saanich Centre

† Leased Woolco Department
** Shopping Centre*

To Our Shareholders:

Consolidated sales for the six months ending July 31, 1972, increased 21% from $19,974,785 to $24,174,888. By division, Toby Industries Limited sales increased 16.3% from $2,103,228 to $2,446,757, Company operated stores increased 14.6% and Company Leased Departments increased 24.9%. Total Retail Sales increased 21.5% from $17,871,557 to $21,728,131. Net earnings for the period rose from $705,972 to $952,088, an increase of 34.9% over the prior year.

In the second quarter, non-recurring expenses amounting to approximately $100,000 were absorbed as a result of our planned move to new premises at Grafton House, 9 Sunlight Park Road, Toronto.

While the sales and earnings results for the first half of the year are most gratifying and we anticipate a continued strong demand for the Companies' products and services, both at the retail and manufacturing level; we believe a more competitive environment is likely to prevail in the last half of the year, our most productive period in sales and earnings. We calculate, therefore, that the rate of earnings increase for the last half of the year is likely to moderate from that experienced in the first half.

In the final half of the year, new Company stores will be opened in Alberta at Londonderry Mall, Edmonton, and in Ontario at Shoppers' World, Brampton, the Brantford Mall and the Sheridan Mall, Pickering. New Woolco Leased Departments will be opened in Londonderry Mall, Edmonton, Alberta, Drummondville, Quebec and London, Oakridge, Ontario.

Toronto, August 10, 1972

G.R. Chater, President

File

GRAFTON GROUP

LIMITED

Established 1853

INTERIM REPORT

FOR THE

SIX MONTH PERIOD ENDED JULY 31, 1972

GRAFTON GROUP LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six Month Period Ended July 31, 1972
(With comparative figures for 1971)

CONSOLIDATED STATEMENT OF EARNINGS

	1972	1971	% Change
Sales			
Retail Division	$21,728,131	$17,871,557	21.5 +
Manufacturing Division	2,446,757	2,103,228	16.3 +
	24,174,888	19,974,785	21.0 +
Earnings from operations before taking into account the undernoted items	2,103,465	1,664,438	26.4 +
Interest and bank charges (net)	54,776	61,010	10.2 −
Depreciation	140,216	98,651	42.7 +
	194,992	159,661	22.5 +
Earnings before income taxes and minority interests	1,908,473	1,504,777	26.8 +
Income taxes	934,900	773,047	20.9 +
Earnings before minority interests in preference shares	973,573	731,730	33.0 +
Minority interests in preference shares of subsidiaries	21,485	25,758	16.6 −
Net earnings for period	$952,088	$705,972	34.9 +
Earnings per common share	50.8¢	37.7¢	

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1972	1971
Source of Funds		
Operations		
Net earnings for period	$952,088	$705,972
Add depreciation	140,216	98,651
	1,092,304	804,623
Payment from director re purchase of shares		40,000
Proceeds from sale of common shares	4,990	2,624,125
	1,097,294	3,468,748
Application of Funds		
Additions to fixed assets	445,445	265,983
Transfer of notes payable to current liabilities		190,000
Decrease in minority preference share interests less gain on purchase for cancellation of preference shares ($6,591 - $12,339)	71,516	43,261
Redemption of preference shares		482,650
Dividends on common shares	280,904	93,630
	797,865	1,075,524
Increase in working capital	299,429	2,393,224
Working capital at beginning of period	5,713,018	3,392,721
Working capital at end of period	$6,012,447	$5,785,945

AR39

REPORT TO INVESTORS

MIDLAND·OSLER SECURITIES LIMITED

GRAFTON GROUP LIMITED

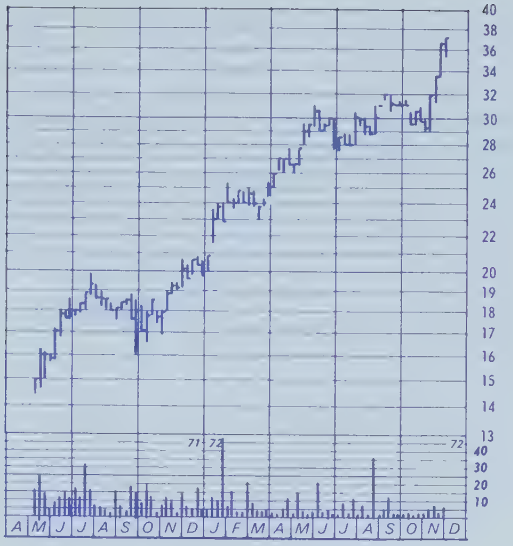
GRAFTON GROUP LIMITED

December 1972

Peter F. Dalton

MIDLAND-OSLER SECURITIES LIMITED

Year Ended January 31	Earnings Per Share	Sales (Millions)
1974 Est.	$2.03	$72.4 Est.
1973 Est.	$1.59	$58.7 Est.
1972	$1.21	$48.8
1971	$1.01	$42.0
1970	$0.69	$36.1
1969	$0.58	$25.2



Recent Price	Price Earnings Multiple on estimated Fiscal 1973 EPS	1974 EPS	Dividend	Yield
$35 1/2	27.3 X	17.4 X	$0.40	1.12%

TECHNICAL COMMENT

Grafton Group (35 1/2) has had a spectacular increase in price since its listing in May 1971. Though the record of trading is relatively short, the upward momentum has been steady and strong. Currently, there is good support at $30.00-$32.00, with an upside potential in the order of 35%-40%.

We suggest purchase of Grafton Group in aggressive accounts looking for capital gains over the medium term.

L.E. Merritt

RECOMMENDATION: BUY for medium term appreciation.

SUMMARY:

GIVEN:

1. continued rapid expansion of the Woolco Leased Departments (at what must be considered nominal cost);
2. a higher rate of gain with the Stores' Division (principally Jack Fraser) over the forthcoming 18 - 24 months;
3. further improvement in operating profit margins which may be expected to aid in the continuation of profit growth in the order of 25%-30% annually;

the shares are expected to outperform both the TSEI and the merchandising group over the forthcoming 12 - 18 months.

Grafton's profit growth has substantially exceeded industry norms. The merchandising index of the Toronto Stock Exchange has traditionally carried a rather high multiple. This is even more noticeable in the case of specific growth companies within this sector. Grafton's fundamentals compare favourably, yet the shares continue to carry a relatively modest multiple.

Peter F. Dalton

THE COMPANY

Grafton Group Limited operates a national clothing chain under the banner of Jack Fraser Stores (43), Grafton Stores (9) and Ross Stores (2). Of greater significance, however, is Grafton's licence to operate the mens' and boys' wear departments in Woolco Department Stores (56) throughout Canada.

Until recently, the company had substantially restricted itself to mens' and boys' wear, avoiding the more rapidly changing style conscious area of ladies' fashions. Most new Jack Fraser Stores now devote some 20% to 25% of selling area to the more basic lines of ladies' sportswear under "THE LOFT" symbol.

Grafton's manufacturing arm, Toby Industries Limited, manufactures an assorted line of bedspreads, pillows, outdoor furniture covers and related products. The company does not manufacture clothing apparel.

OPERATIONS

MENS' AND BOYS' LEASED DEPARTMENTS (WOOLCO)

Woolco Department Stores, a division of F.W. Woolworth Canada Ltd., operates a chain of 56 promotional department stores throughout Canada. Generally reputed to be the second largest domestic chain in terms of selling area, Woolco is continuing to expand at a rapid rate. New openings have ranged between 6 and 10 annually since 1967 and, as yet, there is no lessening of activity. Of the 10 to 12 units budgeted for opening in calendar 1973, 6 locations are under construction and scheduled to come on stream during the May - September period. The Woolco unit ranges in size from 85,000 - 200,000 square feet and is to be found largely in the community or regional category of shopping centre.

While Woolco spans the country, two major market areas remain relatively untapped, British Columbia and Metropolitan Toronto. In that Woolco has only 3 units in each of these key market areas, the scope for future growth, over the intermediate term, appears reasonably well assured.

GRAFTON-WOOLCO DIVISION
OPERATING STATISTICS

Fiscal Year Jan. 31	No. of Outlets	Selling Space (000's)	Sales (Millions)	Sales Per Sq. Ft.	Sales Per Unit (000's)
1968	22	184	$10.5	$57.06	$477
1969	27	227	$14.5	$63.87	$537
1970	33	277	$19.6	$70.76	$594
1971	41	344	$24.8	$72.09	$604
1972	46	390	$29.6	$75.90	$643
1973 Est.	56	475	$37.0	$77.89	$661
1974 Est.	66	555	$47.0	$84.68	$712

As evidenced, Grafton has improved its productivity by a substantial margin. Key reasons include:-

1. maturing of recently opened units;

2. the upgrading of Grafton's product mix - Woolco may be considered instrumental in this action;

3. despite point #2, the proportion of imported items to total volume has increased, thus enabling a more effective overall pricing policy and theoretically, at least, higher sales;

4. <u>most importantly</u>, however, are the high traffic volumes created by the Woolco magnet.

Further to the above, the Woolco association could prove to be even more beneficial than has been the case in the recent past. Considerable interest has developed, of late, in the degree to which given market areas are, or could shortly be, overstored.

Our impression is that this is a much overworked subject. However, assuming one was inclined to accept the thesis, then Grafton becomes an even more attractive method of merchandising participation. Woolco has the financial resources and desire to achieve further market penetration. Given Woolco's recent high level of capital spending it appears most unlikely they would back off from increased competitive activity.

Lease Commitments

Grafton's lease costs have averaged some 10½% to 12% of gross sales annually. The company is committed to a fixed minimum rental or a percentage of gross sales, whichever is the greater. To date, lease costs have been solely based on the percentage of gross volume technique. Our understanding is that the average lease is now in excess of five years and that renewals and new leases are being written off a ten year base.

STORES DIVISION

Jack Fraser Stores

The second most significant arm of the company, Jack Fraser Stores, offers a complete line of mens' and boys' clothing and furnishings. Jack Fraser's marketing efforts have been directed towards the bulk of the consuming public. That is to say the medium priced market.

Until recently, Fraser had avoided the girls' and ladies' wear markets. Incorporation of "THE LOFT" in Jack Fraser units establishes the company in this sector, which may be expected to constitute some 20% - 25% of the units' gross volume upon maturity. The Lofts are being established solely in new units because of size limitations which exist in most of the older stores. Of the 43 Jack Fraser outlets 35 are located in shopping centres or malls. We would expect this trend to continue as overall traffic patterns continue to shift towards more heavily concentrated shopping areas.

To date five openings are scheduled for calendar 1973 with site negotiations in progress on a further five. It appears that there will be a net increase of eight stores during the year. As in the case of Woolco, Fraser Stores are in a position to substantially increase their participation in British Columbia and, to a lesser extent, in Alberta. Traditionally, this division's strength has flowed out of eastern Canada, in particular Ontario. While expansion in eastern Canada is expected to continue unabated, the emphasis on western development is likely to continue to gain momentum.

Grafton Stores

The nine Grafton Stores, located in southwestern Ontario, are essentially an enlarged version of the Jack Fraser outlets. Whereas Fraser ranges in size from 2,500 - 6,000 square feet of selling area (average 4,000) Grafton encompasses from 3,000 - 8,000 square feet, which averages out to roughly 6,000 per unit. The merchandise mix, while basically the same, is slightly broader. Ladies' and sportswear departments are included in all units.

Ross Stores

Ross Stores, a junior department store operation, have been largely phased out since 1966. The remaining two units will likely be closed on lease expiry. Ross does not, at this time, constitute a drag on corporate profits.

Combined operating statistics for Jack Fraser, Grafton and Ross Stores are as follows:

Fiscal Year Jan. 31	No. of Outlets	Selling Space (000's)	Sales (Millions)	Sales Per Sq. Ft.	Sales Per Unit (000's)
1968	40	197	$10.9	$55.32	$272.5
1969	40	197	$10.7	$54.31	$267.5
1970	41	209	$12.5	$59.80	$304.8
1971	45	208	$13.1	$62.98	$291.1
1972	48	220	$14.7	$66.81	$306.2
1973 Est.	55	248	$16.6	$66.93	$301.8
1974 Est.	64	290	$19.7	$67.93	$307.8

A comparison of the stores' division productivity with "similar" competitors indicates that there is further room for improvement. Yet, comparatively speaking the results exceed,by a considerable margin, the performance of most of the competition. Any direct comparison, by virtue of differing operating techniques, would be misleading. The range with which we are working encompasses a spread from $30 - $120 per square foot. On balance, we suggest that a $60 - $70 figure is representative of this segment of the industry.

Talisman Men's Shops

Talisman, of recent origin, is a specialty operation merchandising mens' pants and shirts and is aimed directly at the broadly defined youth market. To date three units have been opened - two in London, Ontario and one in Toronto. Although experience has been mixed, the new Toronto unit should enable management to obtain a more comprehensive overview of future prospects.

TOBY INDUSTRIES LIMITED

This division, formerly the L.C. Tobias Company Limited, manufactures cushions, bedspreads, chair covers, and outdoor furniture covers. Toby volume is currently running at an annual rate of $5 million, which is consistent with its recent growth experience of 10% - 12%. Further expansion in home furnishings is under advisement.

MERCHANDISE MIX

	Woolco	Stores Division	Aggregate
Furnishings	75%	45%	65%
Suits	5%	30%	13%
Boys' Wear	20%	10%	17%
Other	-	5%	2%
Ladies' Sportswear	-	10%	3%
TOTAL	100%	100%	100%

As ladies' sportswear (The Loft) obtains a larger franchise in the community and as all new Fraser outlets devote some 20% of selling area to The Loft, we would expect an increase from the current 5%+ to something in

the order of 20%. The principal element to be recognized is that virtually all of Grafton's apparel is relatively insensitive to rapid styling changes which occur with some frequency in the industry. In this respect the most sensitive area recently has been mens' suits. However, given the "basic" market category into which Grafton directs the Fraser Stores their vulnerability is considerably reduced.

The grouping with the heaviest emphasis, furnishings, is also the area of fastest growth within both the Grafton-Fraser organization and the merchandising industry as reported by Statistics Canada.

Private branding is used extensively throughout the organization, but in particular in the Woolco leased departments where some 65% - 70% of sales are private brands. Two reasons:

1. higher profitability;

2. contractual prices.

Presently, private branding represents only 10 - 15% of volume in Jack Fraser. Management has indicated its intent to increase this level substantially. Again, referring to total mix, imported goods constitute 30% - 35% and 10% - 12% of the Woolco leased departments and Fraser Stores respectively.

SALES

QUARTERLY ANALYSIS

Sales Breakdown (Retail)

	Quarter Ending				
	April 30	July 31	Oct. 31	Jan. 31	Year
Fiscal 1971					
Woolco Division	$ 4,078	6,193	5,722	8,765	24,758
Stores Division	2,288	3,007	2,847	4,993	13,136
Total	6,366	9,200	8,569	13,758	37,894
Woolco Division % of Total	64%	67%	67%	64%	65%
Fiscal 1972					
Woolco Division	$ 4,712	7,286	6,892	10,685	29,575
Stores Division	2,507	3,366	3,422	5,409	14,705
Total	7,219	10,652	10,314	16,094	44,280
Woolco Division % of Total	65%	68%	67%	66%	67%
Fiscal 1973					
Woolco Division	$ 5,970	9,028	8,850 Est.		
Stores Division	2,900	3,830	3,842 Est.		
Total	8,870	12,858	12,692 Av.		
Woolco Division % of Total	67%	70%	70% Est.		

% SALES CONTRIBUTION - QUARTERLY (RETAIL)

	Quarter Ending			
	April 30	July 31	Oct. 31	Jan. 31
Fiscal 1971				
Woolco Division	16.6	25.0	23.1	35.4
Stores Division	17.5	22.8	21.7	38.0
Total	16.8	24.3	22.6	36.3
Fiscal 1972				
Woolco Division	15.9	24.6	23.3	36.1
Stores Division	17.0	22.8	23.3	36.8
Total	16.3	24.1	23.3	36.3

With industry experience, Grafton's fourth quarter is key to the year. The patterns are consistent and barring acquisitions of business out of the Grafton mainstream (most unlikely), we do not anticipate any significant change. The variations which are present are largely attributable to the timing of new units.

Toby's pattern is fairly consistent with little seasonal variation. Volume generally builds during the course of the year with the heavy end occurring in the fourth quarter.

BREAKDOWN - SALES PROJECTION

		$ Millions		% Change	
Year End Jan. 31	1972 Actual	1973 Est.	1974 Est.	1973	1974
WOOLCO DIVISION					
*Existing Units	27.6	34.0	44.0	+14.8	+18.9
New Units	2.0	3.0	3.0	-	-
Sub Total	29.6	37.0	47.0	+25.0	+27.0
# New Units (Net)	5	10	8	-	-
Gross attributable per new unit (Millions)	.40	.30	.375	-	-
STORES DIVISION					
*Existing Units	13.7	15.6	18.2	+ 6.1	+ 9.6
New Units	1.0	1.0	1.5	-	-
Sub Total	14.7	16.6	19.7	+12.9	+18.6
# New Units	3	7	9	-	-
Gross attributable per new unit (Millions)	.33	.14	.17	-	-
TOBY INDUSTRIES	4.6	5.1	5.7	+10.9	+11.7
TOTAL SALES	$48.9	$58.7	$72.4	+20.0	+23.3

BREAKDOWN - SALES PROJECTION (Continued)

*NOTE: The stated percentage increases are calculated off the year end total relative to the forecast dollar amount from existing units in the subsequent fiscal period (i.e. fiscal 1973 - $37 million vs. fiscal 1974 - $44 million).

Consolidated sales grew during the 1968-72 period at a compound annual rate of 23%.

OPERATING STATISTICS

WOOLCO DIVISION

Compound Annual Rate of Improvement	No. of Outlets	Selling Space	Sales	Sales Per Sq. Ft.	Sales Per Unit
Fiscal 1968-72 Actual	20.5%	20.7%	29.5%	7.8%	7.8%
Fiscal 1972-73 Est.	21.7%	21.8%	25.0%	1.2%	2.8%
Fiscal 1973-74 Est.	14.3%	16.8%	24.3%	6.3%	8.6%

STORES DIVISION

Compound Annual Rate of Improvement	No. of Outlets	Selling Space	Sales	Sales Per Sq. Ft.	Sales Per Unit
Fiscal 1968-72 Actual	4.7%	2.8%	7.8%	4.8%	1.7%
Fiscal 1972-73 Est.	14.5%	12.7%	13.0%	0.2%	(1.4%)
Fiscal 1973-74 Est.	10.9%	8.8%	15.0%	5.7%	3.7%

The apparent deterioration (relative to the 1968-72 period) in productivity which we have forecast for the year ending January 31, 1973 is directly attributable to late openings in both retail divisions. That is to say the bulk of new openings occurred in the third and fourth quarters of the year which inevitably inhibits operating statistics. Conversely, operating ratios for the forthcoming year will be favourably affected. In addition, a greater proportion of openings in fiscal 1974 are expected to occur in the first six months, thus further enhancing the rate of productivity.

CONSOLIDATED STATEMENTS OF PROFIT & LOSS FISCAL 1970-72 ACT. 1973-74 EST.

Year Ending Jan. 31	1970	1971	1972	Est. 1973	Est. 1974
		(Millions)			
Sales:					
Retail	32.0	37.9	44.3	53.6	66.7
Manufacturing	4.1	4.1	4.6	5.1	5.7
	36.1	42.0	48.9	58.7	72.4
Cost of Sales	33.1	37.7	43.8	52.3	64.4
Operating Income	3.2	4.3	5.1	6.4	8.0
Interest Expense	.36	.36	.14	.15	.17
Depreciation	.16	.20	.26	.34	.40
	.52	.56	.40	.49	.57
Income before tax and minority interests	2.68	3.70	4.72	5.91	7.43
Income Tax	1.46	2.00	2.43	2.89	3.59
Net before minority interest	1.22	1.70	2.29	3.02	3.84
Minority Interest: Preference Share Dividends	.054	.056	.050	.042	.035
Net available to common shares	1.03	1.64	2.24	2.97	3.80
Earnings Per Share	$0.69	$1.01	$1.21	$1.59	$2.03
Weighted average number of shares outstanding	1,611	1,611	1,853	1,872	1,872

RATIOS: %

Operating Profit Margin	8.9%	10.1%	10.5%	10.9%	11.0%
Pre-tax Profit Margin	7.4%	8.8%	9.7%	10.0%	10.3%
Net Profit Margin	3.4%	4.0%	4.7%	5.1%	5.2%
Tax Rate	54.4%	54.2%	51.4%	49.0%	48.3%

NOTE: Net earnings available to common shares for the year ended January 31, 1970 are after a non recurring charge of $164,000.

EXPANSION

Generally speaking, Grafton's lead time as related to Woolco's expansion is from six to nine months, although management is aware of tentative longer term developments. As noted, Woolco has opened six to ten units annually in recent years. Indications are that ten to twelve stores will be opened in calendar 1973, of which six are firm and are expected on stream during Grafton's second and third quarters.

Eight to ten Jack Fraser outlets are planned for the coming year. Of the six committed units, five are located in Ontario and one in Dartmouth, Nova Scotia. Four of the six are scheduled for opening by May, 1973. Apart from completion of the third Talisman outlet (Toronto) there are no immediate expansion plans for these units.

Concurrent with the company's share offering in 1971, pre-tax profits before head office allocations were made available as follows:

PRE-TAX PROFIT DIVISIONAL CONTRIBUTION % OF TOTAL

Year Ending Jan. 31	1968	1969	1970	1971
Woolco Division	51.1%	72.4%	62.5%	67.5%
Stores Division	48.9%	27.6%	20.8%	18.6%
Toby Ind.	-	-	16.7%	13.9%
	100.0%	100.0%	100.0%	100.0%

Although the relative importance of the stores division is likely to remain in a downtrend over the near term, both profits and the rate of return continue to improve at a rate which we estimate in the order of 13 - 15%. Given the rapid growth anticipated at Woolco its relative importance to profits is expected to continue to increase - perhaps at its peak - representing some 85 - 90% of the total.

Operating Profit Margins

Consistent with Grafton's experience in the year to date, coupled with higher relative Woolco volumes (where profitability is superior) we have forecast a further improvement to the 10.9% level. Although we have increased fiscal 1974's operating profit margin by only 1/10th of 1% the improvement may well be of greater magnitude.

Depreciation

We have charged depreciation at a rate consistent with past experience (16½% of net fixed assets) and have assumed capital expenditures in fiscal 1974 of approximately $1,000,000.

Capital Expenditures

The advantages which accrue to Grafton through the Woolco association extend beyond those of the marketing sphere. Capital costs related to a new leased department are small, particularly in relation to a new Jack Fraser Store ($50,000 - $95,000). All non-capital pre-opening and promotional costs are charged to the period in which they are incurred. Beyond capital costs incurred on openings, there is an additional $150,000 - $250,000 and $80,000-$140,000 call on the treasury for inventory build-up in the Woolco and Jack Fraser operations respectively.

Dividend Policy

Since the public issue in April, 1971 the dividend has been increased from 20¢ to 40¢ per annum. It would thus appear that management intends to maintain a rate of roughly 25% - at least over the foreseeable future.

MARKETABILITY

	Shares Traded			
	Toronto	Montreal	Total	Price Range
1971*	392,000	62,000	454,000	$20 3/4 - 14 3/8
1972 - Jan.	71,000	3,055	74,055	20 - 24 1/2
Feb.	28,000	2,100	30,100	25 1/4 - 23 3/4
March	43,900	900	44,800	25 1/4 - 23
April	21,100	585	21,685	27 3/4 - 25
May	23,800	12,550	36,350	30 3/4 - 26
June	30,300	5,425	35,725	31 - 27 3/4
July	24,700	625	25,325	30 1/2 - 27 1/2
August	45,600	6,350	51,950	28 3/4 - 31
Sept.	20,600	18,450	39,050	32 - 30 1/2
Oct.	9,200	990	10,190	31 1/2 - 29
Nov.	19,390	10,376	29,766	31 - 36 1/2

* Listed May 5, 1971.

Grafton Group Limited became a public company in April 1971 with the offering of 600,000 common shares at $10 3/4. Of the total, 261,000 shares were treasury stock with the remaining 339,000 being offered by selling shareholders.

Grafton is generally considered to be a thin trading situation. Although the volumes represented do not constitute an overwhelming float, the comparison with other securities, which are not labelled as thin, is favourable. The average monthly trading volume of Grafton in 1971 (Montreal and Toronto combined) was 56,000 shares. Through November, 1972 the figure stood at 35,000 shares.

CONSOLIDATED BALANCE SHEET

ASSETS	January 31 1972
CURRENT ASSETS	
Cash and bank deposit receipts	$ 2,074,678
Accounts receivable	2,174,395
Marketable securities at cost (market value $213,170)	212,513
Inventories	6,518,808
Prepaid expenses	96,013
	11,076,407
NOTES RECEIVABLE	756,891
INVESTMENT IN SHARES OF SUBSIDIARY COMPANY, at cost	1,107,500
FIXED ASSETS, at cost	
Machinery, equipment, fixtures and leasehold improvements	3,733,868
Less accumulated depreciation	2,161,970
	1,571,898
EXCESS OF COST OVER UNDERLYING BOOK VALUES OF CONSOLIDATED SUBSIDIARIES AT DATES OF ACQUISITION	3,609,572
	$18,122,268

LIABILITIES

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 3,977,756
Income and other taxes payable	645,633
Notes payable	740,000
	5,363,389
DEFERRED INCOME TAXES	40,600
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS	788,100

SHAREHOLDERS' EQUITY

CAPITAL STOCK			
Common Shares:	Authorized	3,500,000	
	Issued	1,872,603	6,666,008
CONTRIBUTED SURPLUS			167,135
RETAINED EARNINGS			5,097,036
			11,930,179
			$18,122,268